

Exhibit 12

INCENTIVE CRITERIA

DEPARTMENT OF WATERWORKS INCENTIVE CRITERIA

INCENTIVES	MEASURE	DESCRIPTION	COMMENTS	WEIGHTING
CUSTOMER SERVICE (35%)				
Customer satisfaction surveys	70%	Annual survey. A statistically representative sample of all customers who have contacted the company (i.e. in writing, personally, verbally, via internet, etc.). Content and protocol of survey and sampling to be agreed upon by Department.	Increase 5% / year to 90% by 2006. Then through remainder of contract.	3.50%
Customer service access	100%	Allows customers to talk to a customer service representative or Company representative.	24 hours per day 7 days per week	3.50%
Incoming call answers (Within 30 seconds)	76%	Answer all incoming calls within 30 seconds.	Increase 3% / year to 88% by 2006. Then through remainder of the contract.	3.50%
Customer call abandonment rate	8%	Reduce customer wait time on calls so customers do not abandon the call.	Reduce 1% / year to 4% by 2006. Then through remainder of the contract.	3.50%
Collection rate	99.3%	Collection rate of billings.	Increases to 99.5% by 2006. Then through remainder of contract, as applicable.	3.50%
Customers without water service	100%	Measured from the time of call. Customer is not without service for more than 12 hours.	Maximum time customer can be without service.	3.50%
Turn-on / Shut-offs	100%	Respond to customer requests for service turn-ons and service shut-offs within 24 hours.	24 hours per day 7 days per week. Throughout the term of the contract.	3.50%
Emergency response rate	95%	Respond to emergencies. Measured from call to in field assessment of situation. Response to customers within 1 hour.	Within 1 hour. Increase 1% / year to 99% by 2006. Then throughout the remainder of the contract.	3.50%
Customer service response rate	95%	Respond to customer service problems. Measured from call by customer to in field assessment or remediation, if possible within specified timeframe, of situation and follow up contact with customer (i.e. low pressure, noisy meter, etc.).	Within 48 hours. Increase 1% / year to 99% by 2006. Then throughout the remainder of the contract.	3.50%
Meter reading	3 Misreads / 5,000 Reads	Meter reading for accurate billings.	Maximum misreads. Throughout the term of the contract.	3.50%
WATER QUALITY (30%)				
Exceed compliance requirements of primary water quality (WQ) standards	98%	Exceed primary water quality standards requirements.	Increase to 99% by 2005. Then throughout the remainder of the contract. See footnote 5.	3%

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Exceed compliance requirements of secondary WQ standards	99.9%	Exceed secondary water quality standards requirements.	Throughout the term of the contract. See footnote 1 and 5.	3%
Meet regulatory and compliance requirements	100%	Meet all regulatory requirements of federal, state and local jurisdictions.	Throughout the term of the contract. Inclusive of issues such as OSHA, IDEM permits, noise ordinances, clean air act, etc. See footnote 6.	3%
Water hardness	Set BL	Reduce water hardness levels after the establishment of a baseline hardness.	The timetable and distribution zones for hardness reduction will be directed by the Department involving milestone hardness reductions at 5, 10 and 15 years. The Department may establish a hardness reduction goal of 200 mg/L for a particular zone and ultimately for the entire system. See footnote 2.	3%
Reduce T & O problems (See footnote 2)				
MIB (ng/L)	35	Measured in finish water.	Reduce MIB levels to 8 (ng/L) by 2006. 2002 levels 35 ng/L. Equal reductions per year. Maintain below 2006 level throughout the remainder of the contract. See footnote 7.	3%
TON	25	Measured in finish water.	Reduce to 3 by 2006-Average reduction per year. Maintain below 2006 level throughout the remainder of the contract. See footnote 7.	3%
Geosmin	20	Measured in finish water.	Reduce to 10 ppt by 2006. Maintain below 2006 level throughout the remainder of the contract. See footnote 7.	3%
Combined MIB / Geosmin for T.W. Moses	70	Measured in finish water.	Reduce to 18 ppt by 2006. Maintain below 2006 level throughout the remainder of the contract. See footnote 8.	3%
2,4,6-Trichloroanisole (TCA)	Set BL	Measured in finish water.	Reduce to the established threshold number by 2006. Maintain below 2006 level throughout the remainder of the contract. Company to investigate the recognized threshold number. See footnote 7.	3%

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Trans-2, cis-6, nonadienal	Set BL	Measured in finish water.	Reduce to the established threshold number by 2006. Maintain below 2006 level throughout the remainder of the contract. Company to investigate the recognized threshold number. See footnote 7.	3%
CAPITAL ASSETS REPLACEMENT CYCLE (10%)				
Critical plan identification	80%	Correctly identify the critical capital projects in approved capital plan.	Increase to 94% by 2006. Then throughout the remainder of the contract.	10%
CAPITAL INVESTMENT ADJUSTMENT (5%)				
Excess capital projects	TBD	Mutually approve a number of capital projects in the capital programs that are approved each year.	Reduce incentive fee by \$25,000 for each excess capital project in excess of approved number of projects. Throughout the term of the contract.	5%
TECHNICAL O & M (10%)				
Planned maintenance as a % of total maintenance dollars	65%	Includes all planned, predictive and preventive maintenance activities.	Increase to 85% by 2006. Then throughout the remainder of the contract. Measured on an annual basis.	1.25%
Main breaks	0.18	Breaks in main, as measured in breaks per mile.	Reduce to 0.15 by 2006. Maintain or reduce further over the remainder of the term of the contract. Company oversight / managed water main replacements will have a 0.00 water main break rate for the term of the agreement. Company break rate on Company overseen pipe shall be as measured against footage they install. See footnote 2 and 4.	1.25%
Hydrant Repair	100%	Repair or replace hydrants within 15 days.	Throughout the term of the contract.	1.25%
Water supply (Average day-MGD)	142 MGD	Develop, maximize and expand water supply to meet system demands and maintain system pressure.	Increases to 154 MGD by 2006. Maintenance of average day is without capital. Then maintain or increase throughout the remainder of the contract, as applicable. See footnote 2 for growth.	1.25%

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Water supply (Peak day-MGD)	206 MGD	Develop, maximize and expand water supply to meet system demands and maintain system pressure.	Increases to 224 MGD by 2006. Maintenance of peak day is without capital. Then maintain or increase throughout the remainder of the contract, as applicable. See footnote 2 for growth.	1.25%
Meet pressure improvement plan	Set BL	Address system pressure per pressure improvement plan to be developed by Company.	Per pressure sensors in system at customer tap. Develop plan to address system pressure and fire flow deficiencies. Deficiencies that can be addressed per plan with O & M will be implemented based on schedule in plan. Company must obtain Department approval on plan. See footnote 3.	1.25%
IMAGIS information	6 Mos	Update IMAGIS information into database in approved format, for all relevant and applicable data as modified.	Reduce to 3 month by 2004. Maintain throughout the remainder of the contract. See footnote 9.	1.25%
Lost time and recordable incident rate	Set BL	Provide safe environment to public, customers and workers.	Reduce by 20% year through 2006 and maintain throughout the term of the contract.	1.25%
DISCRETIONARY MEASURES (10%)				
MBE /WBE goals	20%	Utilize MBE/WBE vendors for % of dollars spent on purchases of goods and services for O & M such as office supplies, safety, restoration services, etc.	Increase to 30% by 2006. Maintain this level throughout the remainder of the contract. See footnote 11.	1%
MBE /WBE goals	13%	Utilize MBE/WBE vendors for % of dollars spent on capital.	Increase to 15% by 2006. Maintain this level throughout the remainder of the contract. See footnote 11.	1%
Citizen's advisory group satisfaction ratings	85%	CAG appointed by Department. Establish a public forum in a regularly held format, representing a wide cross section of district wide customers. Content of survey to be mutually negotiated yearly.	Increase to 95% by 2006. Provide input on water quality issues / other problems. Maintain level throughout the remainder of contract.	1%
Local providers	83%	Utilization of local providers for the purchase of goods and services for all facets of capital and O & M, such as supplies, safety, restoration, construction, engineering, etc.	Increase to 88% by 2006. Maintain this level throughout the remainder of the contract. See footnote 11.	1%
Capital program adherence	95%	Stay within set limits of approved capital program, inclusive of all costs.	Increase to 97% by 2006. Then throughout the remainder of the contract.	1%

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Capital construction	95%	Stay within set limits of approved capital construction budgets.	Stay within 95% of approved capital construction budget for each project approved in all capital plans. Throughout the term of the contract.	1%
Revenue Enhancement	Set yearly goal	Seek revenue enhancement opportunities to assist in funding of capital works, other needs, etc.	Meet 75% of yearly agreed upon goals. Throughout the term of the contract.	1%
Projects on schedule	95%	Set schedules to be approved for each project and stay within 60 days of agreed upon schedule for construction start and finish.	95% of all projects to remain on schedule as described. Throughout the term of the contract.	1%
Unaccounted for water	Set BL	Determine level of unaccounted for water within 12 months of system takeover.	Reduce unaccounted for water by 10% year over year. Reduce to 8%. See footnote 4 and 10.	1%
Contractually required reports	100%	Required or agreed upon reports for compliance with contract or as agreed upon.	Provide contractually required or agreed upon reports within prescribed timeframes.	1%
TOTAL				100.00%

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Notes:

(1) Excludes excursions of T & O

(2) Capital investments may be required. Capital not guaranteed by Department. Incentive renegotiated or deleted, as a criteria, if capital not approved. If criteria deleted, the weighting of the other criteria shall be adjusted to reflect the reduction in the deleted criteria.

(3) Within 150 days. Department must approve.

(4) Vendor to operate system, regardless of break rate or unaccounted for water, without adjustment in fees.

(5) A cumulative percentage for all treatment facilities (surface and groundwater) in the system. Calculated by the following formula $[(A-B)/A] \times 100\%$. A=number of compliance tests. B=number of tests failed, as required by EPA requirements / guidelines.

(6) Excludes requirements as prescribed by EPA for primary and secondary drinking water standards.

(7) These values and the 2006 and beyond values are reported individually as an annual average for each of the four SWTP's (White River, Fall Creek, T.W. Moses, and White River North). In 2002 and 2003, these values are completely dependent on the ability to feed copper sulfate into the reservoirs, prior to the first algae blooms of the year. Should copper sulfate be restricted at the reservoirs, during 2002 and 2003, this incentive shall be eliminated, further weighting the remaining incentive items in this category during 2002 and 2003.

(8) This combined value will be measured at the finished water of the T.W. Moses plant only. It is represented as the average value over any consecutive 30 day period. Per footnote 7, during 2002 and 2003, this level is completely dependent on the ability to feed copper sulfate in the Eagle Creek Reservoir, prior to the first algae blooms. Should copper sulfate be restricted at Eagle Creek reservoir, during 2002 and 2003, this incentive shall be eliminated, further weighting the remaining incentive items in this category.

(9) IMAGIS backlog in existence preceding the contract shall be the responsibility of the Company and to be addressed within 12 months of commencement date.

(10) The American Waterworks Association (AWWA) identifies the components of unaccounted for water as leakage, meter inaccuracies, water company uses, un-metered public use, evaporation from storage reservoirs and firefighting usage.

(11) Certified MBE/WBE providers may also qualify as local providers for satisfaction of local provider incentives.

>Emergency repairs and catastrophic failures may allow exemptions from incentives. To be determined on a case by case basis by Department only.

>If not spelled out herein, the method of measurement of incentives shall be as determined by the Department.

>All measures apply throughout entire term of contract unless otherwise noted

>All defined measurements to be provided by Company. Department may provide oversight and QA/QC verification of figures.

>N.A. - Not addressed

>TBD - To be determined

>MGD - Million Gallons per Day

>O & M - Operations and maintenance

>B.L. - To be determined on a 3 year average, preceding contract date, as approved by the Department

>ng/L - nanograms/liter, parts per trillion

>MIB - 2-Methylisoborneol

>TON - Threshold odor number (no units)